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C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 001377

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TAGS: [PREF](#) [ETRD](#) [IZ](#) [AE](#)
SUBJECT: ABU DHABI CROWN PRINCE SENIOR ADVISOR REVIEWS
IRAN, IRAQ, INVESTMENT ISSUES WITH CODEL GRAHAM

REF: ABU DHABI 1367

Classified by Charge d'Affaires Martin Quinn, reasons 1.4 (B) and (D).

Summary

¶1. (C) CODEL Graham (Sen. Lindsey Graham, Rep. Henry Wood, and Rep. Robert Ingilis -- all R-SC) discussed Iran, Iraq, and economic issues August 12 with Yousef al-Otaiba, International Affairs Director for Abu Dhabi Crown Prince Mohammed bin Zayed (MbZ). Citing the mutual benefits of UAE investment in the U.S. market, al-Otaiba hoped that any congressional action designed to curb foreign investment (such as that from China) would not hurt UAE outlays. He noted the UAE's need to market itself as a trustworthy financial partner -- one with a big investment portfolio and a wholesome appetite for high returns. Al-Otaiba said a team had recently visited Baghdad to look at options for reopening an embassy, cautioned against a U.S. troop withdrawal that would invite "full scale civil war," and warned of the spill-over effects of such a conflict.

¶2. (C) Acknowledging that weapons sales under discussion with the U.S. were primarily designed to help the UAE meet the missile threat from Iran, al-Otaiba nonetheless reminded his interlocutors that the UAE would be "discreet" in public statements regarding that threat. Differing GCC perceptions of the magnitude of the Iran threat argue in favor of bilateral, not multi-lateral, discussions with the U.S. (for example in the context of the Gulf Security Dialogue). He said the Iranian President may be "leading the charge," but not "calling the shots" in setting Iran's international agenda. Al-Otaiba reiterated Emirati fears that Iran might attack its proximate neighbors if provoked by a more distant power. End summary.

The UAE as a Friendly Investor

¶3. (C) In a broad-ranging conversation that began with economic topics, al-Otaiba emphasized the mutual interests the UAE and the U.S. share in facilitating investments. The UAE's goal in investment in the U.S. market, including from UAE sovereign wealth funds, for example, is purely financial, and the UAE seeks to avoid becoming "collateral damage" in any congressional measures designed to limit Chinese or other attempts to dominate portions of the U.S. market. The sour experience in 2006 with Dubai Port World (DPW) is part of a "learning experience for both of us," said al-Otaiba, noting that it would take time and effort to help America see the mutual interests involved; for its part, the UAE learned the importance of engaging Congress early and often regarding significant investment that might be subject to CFIUS review.

Rep. Ingilis noted that some were caught up in the fast-burning "forest fire" of DPW. Al-Otaiba cited UAE-commissioned post-DPW polls indicating that 30% of Americans had a positive impression of the UAE, 30% a negative impression, and 40% no impression at all. These numbers offered the UAE an opportunity to convince a full 70% of America that it is a friendly partner.

14. (C) Investment policy is in fact a "driver" of UAE foreign policy, said Yousef, with dominance in the investment sectors in Egypt, Algeria, Morocco, and Tunisia, for example. While UAE investment in these nations is well received, the U.S. sends "mixed messages" about its comfort with Arab investment. The sheer volume of UAE investment resources may be daunting to the U.S., but UAE intentions are "only financial." Senator Graham noted that Chinese investments often raised concern in the Congress, largely due to threats to the U.S. manufacturing sector; the UAE was advised to wisely choose U.S. partners to ensure a "win-win" investment scenario, seek out states with supportive congressional delegations (like South Carolina, which he claimed has the highest per capita foreign direct investment in America), and invest to strengthen the U.S. manufacturing sector rather than drawing manufacturing jobs overseas. Al-Otaiba said Abu Dhabi's large investment organs (including the Abu Dhabi Investment Authority, ADIA) channel funds through U.S. investment houses and use no self-identifying brand or logo that might draw negative attention to them (or their over billion dollars already invested in the U.S. and its markets).

Potential UAE Embassy in Iraq

15. (C) Pressed on the need for a stronger Arab presence in

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Iraq, al-Otaiba said the UAE had in fact sent a delegation to Baghdad two days prior to "scout out locations" for an Embassy. He cited the "positive" Saudi announcement of a mission to Iraq for similar purposes, yet noted that the UAE did not have much confidence in the current Iraqi government.

He cautioned against the "full scale civil war" that could break out if U.S. troops withdrew precipitously, which might easily spill over into Syria, Jordan, and elsewhere, and would severely harm various U.S. interests. Decrying negative coverage on al-Jazeera (the "extreme voice of the region"), al-Otaiba nonetheless asserted that security conditions in Iraq were so poor that no Arab country was likely to consider sending troops without a vastly different security environment.

Countering the Iran Threat with Missile Defenses

16. (C) Commenting on long-standing bilateral (U.S.-UAE) discussions on weapons sales packages which have received increased attention of late, al-Otaiba said that while the lists of systems were not finalized, they were clearly designed to bolster UAE defenses against the missile threat from Iran. Iran has been the UAE's primary military threat "as far back as I can recall," he added, citing UAE caution about the Iranian nuclear threat as predating similar concerns in the West. Iran occupies three UAE islands and is only 50 miles away, he commented.

17. (C) In spite of robust rhetoric on the Iranian threat, al-Otaiba reiterated the frequent UAE refrain that it needs to be "discreet" about public statements offensive to Iran; "I don't think you will find a more reliable ally (than the UAE), but we must be discreet." Protecting the UAE's "17 billion dollars" in annual trade with Iran requires a quiet public posture, he asserted. Al-Otaiba said the complex Iran threat was a key reason why the UAE preferred to keep Gulf Security Dialogue discussions bilateral in nature, as each GCC state had a nuanced view of that threat; he said the UAE was most concerned, followed in turn by Saudi Arabia (with a

large Shia population in the eastern provinces), Bahrain (many Shia and limited resources), Qatar, Kuwait, and Oman (least concerned about Iran). He said President Ahmedinejad is "leading the charge" as spokesman for Iranian belligerence but is not "calling the shots" in Tehran. He stated that UAE perceptions of Ahmedinejad's subordinate role (vis-a-vis the religious authorities) was reinforced during the President's May visit to the UAE. Iran's ruling clerics find Ahmedinejad's vocal presence a useful distraction to mask their larger goals (such as ongoing nuclear development).

¶8. (C) Iran has transferred some funds overseas for fear of sanctions, al-Otaiba continued, asserting that eight years of "waiting for reform" from former "reform" President Khatami had been wasted. He said Iran speaks as if it expects to be attacked by the U.S.; the UAE's concern is focused on Iran's likely response -- hitting out at proximate countries like the UAE regardless of who provoked it. (Comment: Senator Graham pressed al-Otaiba to be prepared for the inevitable naming of Iran as the primary threat for which any weapons package would be designed to counter, in spite of the latter's well rehearsed appeal that the U.S. acknowledge the UAE's need to be soft in its public rhetoric vis-a-vis Iran. End comment.)

¶9. (U) CODEL Graham did not have an opportunity to review this message prior to departure from the UAE.
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